

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED BY)
THE OIL CONSERVATION DIVISION FOR THE)
PURPOSE OF CONSIDERING:)
APPLICATION OF YATES PETROLEUM)
CORPORATION FOR COMPULSORY POOLING,)
EDDY COUNTY, NEW MEXICO)

CASE NO. 13,722

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: WILLIAM V. JONES, JR., Hearing Examiner

June 8th, 2006

Santa Fe, New Mexico

2006 JUN 22 AM 10 06

6/23/06 KMM

This matter came on for hearing before the New Mexico Oil Conservation Division, WILLIAM V. JONES, JR., Hearing Examiner, on Thursday, June 8th, 2006, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

I N D E X

June 8th, 2006
 Examiner Hearing
 CASE NO. 13,722

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REPORTER'S CERTIFICATE

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E X H I B I T S

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A P P E A R A N C E S

FOR THE DIVISION:

GAIL MacQUESTEN
 Deputy General Counsel
 Energy, Minerals and Natural Resources Department
 1220 South St. Francis Drive
 Santa Fe, New Mexico 87505

FOR THE APPLICANT:

HOLLAND & HART, L.L.P., and CAMPBELL & CARR
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 P.O. Box 2208
 Santa Fe, New Mexico 87504-2208
 By: OCEAN MUNDS-DRY

* * *

STEVEN T. BRENNER, CCR
 (505) 989-9317

1 WHEREUPON, the following proceedings were had at
2 8:50 a.m.:

3 EXAMINER JONES: Okay, at this time let's call
4 Case 13,722, Application of Yates Petroleum Corporation for
5 compulsory pooling, Eddy County, New Mexico.

6 Call for appearances.

7 MS. MUNDS-DRY: Good morning, Mr. Hearing
8 Examiner. My name is Ocean Munds-Dry with Holland and
9 Hart, here representing Yates Petroleum Corporation this
10 morning.

11 EXAMINER JONES: Any other appearances?

12 No witnesses, I take it?

13 MS. MUNDS-DRY: Just little old me.

14 EXAMINER JONES: Okay.

15 MS. MUNDS-DRY: Mr. Jones, Yates is here
16 requesting an order pooling certain interest owners in the
17 north half of Section 23, Township 21 South, Range 26 East,
18 in Eddy County, New Mexico, under the Division's
19 alternative procedure which is available when we're unable
20 to locate certain interest owners who are to be pooled, and
21 the application is unopposed by those located.

22 All the mineral interest owners in the proposed
23 unit area have voluntarily agreed to pool their interests,
24 however Yates has been unable to find certain working
25 interest owners.

1 Mr. Hearing Examiner, if you'll look at Exhibit
2 1, it's the affidavit of Janet Richardson, and she outlines
3 the diligence search that Yates conducted to find the
4 following individuals: Pearl C. Colony and Lizzie G.
5 Colony, his wife; Albert Lang; Lizzie M. Stephenson; Alma
6 Green; and William Heckman.

7 As Ms. Richardson discusses in her affidavit,
8 Yates first searched the county records in Eddy County, and
9 they found a warranty deed that was dated 1913, and I
10 believe there's another one dated 1914.

11 The only identifying information on the warranty
12 deed -- and these were actually assignments that came to
13 them -- listed their current address as Denver, Colorado,
14 and it wasn't more specific than that, unfortunately.
15 There weren't any birth dates or any other identifying
16 information. So Yates hired a landman for the Denver area
17 and searched various public records, including tax records
18 and other deeds, trying to find some deeds or some other
19 updating information and unfortunately did not locate them.

20 Yates also looked in the phone directory and even
21 went so far as to make some cold calls of individuals in
22 hopes of finding some relatives and was unsuccessful there,
23 and also conducted a search on the Internet.
24 Unfortunately, they have not been found.

25 If you'll please turn to Attachment A, Mr.

1 Hearing Examiner, that is a plat of the subject lands
2 showing the proposed spacing unit and the well location.
3 Yates seeks to dedicate its South Avalon AUA Com Well
4 Number 1 to the proposed spacing unit, which is proposed to
5 be drilled at a standard location 660 feet from the north
6 and west line, and they propose to drill to a total depth
7 of 11,300 feet in Section 23.

8 Attachment B to the affidavit lists the nature
9 and percentage of ownership interests in the proposed area.
10 The spacing unit consists of approximately 161 federal
11 acres, 144 acres of leased fee lands, and 16 acres of
12 unleased fee lands. And you'll see at the bottom of the
13 column here the unleased minerals and interest owners in
14 that column are who we were unable to locate and seek to
15 pool today.

16 If you'll turn to Attachment C, that is the AFE.
17 Proposed dryhole costs are \$564,350, and the completed well
18 costs are \$994,050.

19 Yates proposes overhead charges of \$5400 a month
20 while drilling and \$540 a month while producing.

21 Yates requests that these interests be pooled and
22 Yates designated the operator of the well and the spacing
23 unit.

24 And finally if you'll turn to Attachment D, that
25 is the affidavit of publication giving notice of this

1 hearing, as required by Division Rules when interest owners
2 cannot be found.

3 As Ms. Richardson testifies to in her affidavit,
4 approval of this application will avoid the drilling of
5 unnecessary wells, prevent waste, protect correlative
6 rights, and allow Yates and the other interest owners in
7 the north half of Section 23 an opportunity to obtain their
8 just and fair share of underlying subject lands.

9 And that is all I have. I would submit -- I
10 would request that Exhibit A and all of its attachments be
11 admitted into evidence.

12 EXAMINER JONES: Exhibit 1 and Exhibit A and all
13 its attachments will be admitted into evidence.

14 It's really inexpensive to drill a Morrow well to
15 that depth, and -- So basically all it is is, you couldn't
16 find certain unleased -- all the signed people, already
17 agreed to drill the well?

18 MS. MUNDS-DRY: Right. Correct, Mr. Hearing
19 Examiner, if you look at that exhibit, all of those
20 interest owners that have been identified have voluntarily
21 agreed to commit their interests. It's only those unleased
22 interest owners that we've been unable to locate and
23 obviously unable to get their voluntary agreement.

24 EXAMINER JONES: I noticed there's already an API
25 number, so I guess there's -- the well has already been --

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the APD has already been approved?

MS. MUNDS-DRY: That's correct.

EXAMINER JONES: Okay, and we've got the COPAS --
drilling and producing COPAS charges. All right.

Okay, thanks very much.

MS. MUNDS-DRY: Thank you, Mr. Jones.

EXAMINER JONES: With that, we'll take Case
13,722 under advisement.

(Thereupon, these proceedings were concluded at
8:56 a.m.)

* * *

I hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. _____
heard by me on _____
_____, Examiner
Oil Conservation Division

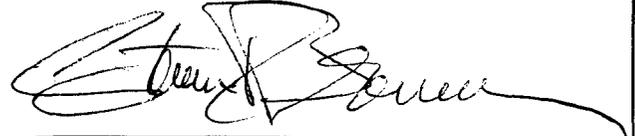
CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) SS.
 COUNTY OF SANTA FE)

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL June 11th, 2006.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 16th, 2006